

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/22)**  
**BUTTER:** Grade AA closed at \$1.3200. The weekly average for Grade AA is \$1.3230 (+.0150).

**CHEESE:** Barrels closed at \$1.3400 and blocks at \$1.3300. The weekly average for barrels is \$1.3015 (+.0410) and blocks, \$1.2950 (+.0290).

**BUTTER:** Butter markets are unsettled as the cash price adjusts higher and lower within a narrow range. Most butter producers indicate that cream supplies are more available than they have been in many weeks. Pricing multiples are lower. Churning activity has increased in many operations, although lighter than desired for this time of the season. Often, increased churning activity has not kept pace with demand thus inventoried stock continues to be used to fill orders, although many handlers and traders are not reaching as far into inventories as they have been during recent weeks. Quota imports of butter continue to enter the states, but are lagging last year at this time. For the first eight months of 2006, 7.9 million pounds of butter entered the U.S. versus 11.0 million for the comparable period in 2005. Above quota imports total about 500,000 pounds which are slightly higher than last year for the eight month period. Retailers are placing orders for near term delivery on a regular basis, although yearend holiday orders are also being placed. Much of this yearend need, especially for Thanksgiving, will ship within the next few weeks. Food service orders are fair at best.

**CHEESE:** The cheese market is unsettled, though with a firm undertone. Interest in purchasing barrels at the Chicago Mercantile Exchange cash market seems to be sparking recent price strength with other buyers trying to maintain some semblance of a positive block/barrel spread. Some mozzarella, provolone, and other varieties orders are being shorted or delayed from producers in the Central and East due to limited milk and NDM supplies. Current blocks are readily available from the West. Cheese production in the West is steady to lighter, depending on Class I use. Natural American cold storage holdings declined seasonally in August to 577.3 million pounds, 4.7 million pounds (-1%) below August 31, 2005. Swiss stocks are 8.8 million pounds (40%) above and other natural cheese supplies are 34.1 million pounds (16%) above last August.

**FLUID MILK:** Milk production is higher for most regions, with moderating weather conditions aiding cow comfort and bumping up production. Milk supplies remain tight, as Class I uses have absorbed supplies in many regions. Pacific Northwest processors have adequate volumes to meet demand and Western bottlers are responding to good demand by pulling additional milk. Florida imports decreased as weekend carryovers and higher local production satisfied some demand previously filled by imports. Cream availability continues to increase as ice cream production seasonally slows. Pricing multiples are moving lower. Condensed skim demand is also strong, with prices increasing.

**DRY PRODUCTS:** Firming trends continue in the dry product markets, with limited to light availability of products to the spot market. Prices for NDM are steady to higher, with resale market NDM carrying higher prices. Allocation of NDM continues as producers attempt to fill contract and current orders. Some shorted distributors are resisting spot market purchases at premium prices. Production levels are mixed, with some milk being used internally by handlers and other producers increasing NDM production in response to increased milk availability. The buttermilk market tone is mostly firm, with all but Central region prices moving higher. Supplies remain tight. Recent increases in churning activity at some locations have led to increases

in drying operations. Producers continue to work toward servicing current and past accounts, thereby limiting spot offerings. Dry whey prices are trending higher, with supplies tight and production steady to lighter. Prices for whey protein concentrate show increases in a firm market. Production is steady to higher as milk shortages ease. Lactose prices remain steady, with fourth quarter contract prices rising.

**CCC:** During the week of September 18 - 22, there was no CCC activity under the dairy price support program.

**OCTOBER FEDERAL MILK ORDER ADVANCE PRICES (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for October 2006 is \$12.42, up \$1.57 from September. This price is derived from the advanced Class I skim milk pricing factor of \$7.72 and the advanced butterfat pricing factor of \$1.4207 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for October is \$7.06 and the Class II nonfat solids price is \$0.7844 per pound. The following are the two-week product price averages: butter \$1.2989, nonfat dry milk \$0.8542, cheese \$1.3063, and dry whey \$0.3162.

**AUGUST MILK PRODUCTION (NASS):** Milk production for August in the 23 major States totaled 13.9 billion pounds, up 1.6% from a year earlier. Production per cow at 1,680 pounds, was 9 pounds (0.5%) above August 2005. July revised production, at 13.9 billion pounds, was up 1.5% from July 2005, and represents a 6 million pound increase from the preliminary production estimate. Total August cow numbers were 8.25 million head, 88,000 head (1.1%) above August 2005, but 9,000 below the July 2006 reported number.

**DAIRY OUTLOOK (ERS):** USDA is forecasting 2006 milk production at 182.0 billion pounds, 2.8% ahead of 2005 production. The 2007 forecast for milk production is 183.2 billion pounds, and the milk per cow forecast shows production per animal rising to an average 20,285 pounds. The all milk price and Class III and IV prices are forecast to increase slightly into the fall months. The 2006 all milk price is projected to be \$12.65-\$12.85. The yearly Class III price is expected to be \$11.60-\$11.80 and the Class IV price, likewise, will average \$10.70-\$11.00. These revised projections represent slight increases from August estimates for all milk and Class III yearly prices. Forecasts for 2007 remain unchanged.

**COLD STORAGE (NASS):** On August 31, U.S. cold storage holdings of butter totaled 184.5 million pounds, 19.2% less than a month ago but 23.9% more than last year. Natural American cheese holdings total 577.3 million pounds, 4.4% less than a month ago, and .8% less than a year ago. Total cheese stocks were 851.1 million pounds, 4.7% lower than July, but 4.7% higher than August 2005.

**FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS):** During August, about 10.1 billion pounds of milk were received from producers. This volume of milk is 0.6% higher than the August 2005 volume. About 3.9 billion pounds of producer milk were used in Class I products, 2.2% higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilization percentages were; Class I = 38%, Class II = 14%, Class III = 41%, and Class IV = 7%. The weighted average statistical uniform price was \$12.27, \$0.20 higher than last month and \$2.89 lower than last year.

\*\*\*\*SPECIALS THIS ISSUE\*\*\*\*

AUGUST MILK PRODUCTION (PAGE 8)  
 DAIRY OUTLOOK (PAGE 9)  
 AUGUST COLD STORAGE (PAGES 10 - 11)

AUGUST FEDERAL MILK PRICE AND POOL SUMMARY (PAGE 12)  
 DAIRY GRAPHS (PAGES 13 - 14)

**CHICAGO MERCANTILE EXCHANGE  
 CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 18	TUESDAY SEPTEMBER 19	WEDNESDAY SEPTEMBER 20	THURSDAY SEPTEMBER 21	FRIDAY SEPTEMBER 22	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2875 (+.0150)	\$1.2875 (N.C.)	\$1.2875 (N.C.)	\$1.3050 (+.0175)	\$1.3400 (+.0350)	(+.0675)	\$1.3015 (+.0410)
40# BLOCKS	\$1.2875 (+.0150)	\$1.2875 (N.C.)	\$1.2700 (-.0175)	\$1.3000 (+.0300)	\$1.3300 (+.0300)	(+.0575)	\$1.2950 (+.0290)
BUTTER GRADE AA	\$1.3400 (+.0300)	\$1.3400 (N.C.)	\$1.3100 (-.0300)	\$1.3050 (-.0050)	\$1.3200 (+.0150)	(+.0100)	\$1.3230 (+.0150)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

## CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 18, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2875; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2800; 1 CAR 40# BLOCKS @ \$1.2875; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.3200, 1 @ \$1.3275, 1 @ \$1.3300, 1 @ \$1.3325, 1 @ \$1.3400; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.3375, 1 @ \$1.3100; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.3400, 1 @ \$1.3450, 1 @ \$1.3500

TUESDAY, SEPTEMBER 19, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2875  
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 8 CARS GRADE AA: 1 @ \$1.3475, 7 @ \$1.3500

WEDNESDAY, SEPTEMBER 20, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.2875; 5 CARS 40# BLOCKS: 2 @ \$1.2700, 2 @ \$1.2800, 1 @ \$1.2700; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.2850, 1 @ \$1.2800, 2 @ \$1.2675; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.2875, 1 @ \$1.3000  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.3150; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 13 CARS GRADE AA: 1 @ \$1.3100, 1 @ \$1.3150, 2 @ \$1.3200, 1 @ \$1.3250, 2 @ \$1.3325, 4 @ \$1.3400, 1 @ \$1.3425, 1 @ \$1.3450

THURSDAY, SEPTEMBER 21, 2006

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.3000; BIDS UNFILLED: 9 CARS BARRELS: 1 @ \$1.3050, 1 @ \$1.3000, 1 @ \$1.2925, 1 @ \$1.2900, 1 @ \$1.2875, 2 @ \$1.2800, 2 @ \$1.2700; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.3000  
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.3100; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS GRADE AA: 1 @ \$1.3050, 3 @ \$1.3100, 1 @ \$1.3500

FRIDAY, SEPTEMBER 22, 2006

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.3200, 1 @ \$1.3300; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.3400, 1 @ \$1.3075, 1 @ \$1.3050; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.3350, 1 @ \$1.3400, 1 @ \$1.3500  
 BUTTER — SALES: 4 CARS GRADE AA: 1 @ \$1.3150, 1 @ \$1.3200, 1 @ \$1.3250, 1 @ \$1.3200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3400

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9000 and Grade A at \$0.9000. (The last price change for Extra Grade and Grade A was on August 9, 2006.) The weekly average for Extra Grade is \$0.9000 (N.C.) and Grade A is \$0.9000 (N.C.).

## BUTTER MARKETS

## JULY COLD STORAGE

According to NASS, August month-ending cold storage figures for butter total 184.5 million pounds, 23.9% more than last August, but 19.3% lower than July 2006.

## NORTHEAST

The butter market tone remains unsettled as the cash price at the CME continues to fluctuate higher and lower within a narrow range. Most producers and handlers feel that the cash price will remain in this range for much of the fall. Churning activity is slightly heavier as cream supplies are more available than in recent weeks. Class II demand, especially for cream cheese, is increasing, but slowing for ice cream needs. As Class II demand adjusts, butter producers state that they are able to acquire cream volumes at competitive prices. Butter demand remains seasonally steady for immediate needs, although yearend orders continue to increase. Many buyers are placing yearend orders which will begin to deliver in 3 – 4 weeks. Stocks of butter continue to run heavier than last year at this time. Most producers and handlers are pleased that churning is heavier as inventoried stocks are not declining as quickly as they have been in recent weeks. Sales of bulk butter f.o.b East are reported in a range from flat market to 3.0 cents over the CME price/average.

## CENTRAL

Central butter markets remain unsettled as the cash price at the CME fluctuates higher and lower within a narrow range. Many butter producers and handlers foresee prices near this range to prevail for much of the fall. Most butter producers indicate that cream supplies are more available than they have been in many weeks. Pricing multiples are lower. Churning schedules are more active due to increased cream availability. For most, this is welcomed as they are able to run fuller production schedules. Unsalted butter continues to be the product

of choice by many producers, although some are churning salted. Inventories remain heavier than last year at this time. Handlers and traders are pleased that declines in inventory have slowed. Many were hopeful that churning activity would improve during the fall and current conditions are contributing to this projection. Butter orders are seasonally steady at fair levels. Retailers are placing orders for near term delivery on a regular basis, although yearend holiday orders are also being placed. Much of this yearend need, especially for Thanksgiving, will be shipped within the next few weeks. Food service orders are fair at best. Spot bulk butter prices range from flat to 2 cents per pound over various pricing basis.

## WEST

Cash butter prices at the CME are mixed. They closed at \$1.31 at midweek. Buyers are reviewing their fall programs and are placing orders. Much of the butter for fall needs ships in October. Feature activity is relatively limited at this time, but is expected to pick up as the holidays approach. Food service orders are fair for the season. Contacts feel that this holiday season should be fair to good, overall. Cream supplies are available for churning at more favorable prices for the butter makers. Class II demand for holiday products is increasing and this is taking some additional cream from the churns. Butter continues to be pulled out of storage to make up for current production shortfalls. Last week, the CME weekly inventory number declined by 7.0 million pounds to stand at 105.8 million pounds. Last year, at the same point in time, stocks stood at 71.9 million pounds. In the last five weeks, stocks have declined 34.8 million pounds, or a weekly average decline of 7.0 million pounds. Quota imports of butter for the first eight months of the year total 7.9 million pounds, down 28% from the same period last year. Imports stand at 51% of the annual quota. More than 50% of these imports have come from New Zealand. Imports of High-Tier butter (above the quota and with a penalty) total a little more than half a million pounds. Prices for bulk butter range from flat market to 5 cents under based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
		38% MOISTURE			
WEEK ENDING					
SEPTEMBER 16	1.2882	1.3040	0.8573	1.2944	0.3177
	9,493,938	9,999,132	14,994,790	4,573,450	12,970,610

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are lower except Swiss. Interest is generally improved as buyers take advantage of recent price weakness to replenish supplies at lower prices for those customers on weekly average pricing. Demand for mozzarella and other pizza cheese is good seasonally. Current cheese production remains seasonally light due to the solid demand for fluid from local and Southern bottlers. Cheese yields are improving seasonally.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.3475-1.8675
Cheddar Single Daisies	:	1.3050-1.7900
Cheddar 40# Block	:	1.4025-1.6775
Process 5# Loaf	:	1.4700-1.7100
Process 5# Sliced	:	1.4850-1.7950
Muenster	:	1.4225-1.6200
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is firm in the upper Midwest despite lower wholesale prices. Orders have improved from customers using the lower weekly average prices as cheese prices started to rebound at the Chicago Mercantile Exchange already last week. Plants continue to have problems in filling orders for current cheddar (especially for aging), mozzarella, provolone, and current barrels in fiber. Many orders are being delayed or shorted, mostly due to a lack of milk supply. Supplemental supplies of cheddar and mozzarella from the West and Southwest have been used to fill in some of the gaps. Process orders are steady with more operations with enough orders to fill out a full 40 hour schedule. Aged cheddar demand is just starting to pick up seasonally for some firms carrying inventory. Milk intakes are fairly steady though cheese yields have improved as fat and protein tests rebound seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5400-1.7800
Brick And/Or Muenster 5#	:	1.8000-1.8425
Cheddar 40# Block	:	1.6450-2.2650
Monterey Jack 10#	:	1.8000-2.2650
Blue 5#	:	2.1475-2.4800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4725-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.1550-2.8300

**WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS**

	BUTTER : CHEESE	
09/18/06	41,265	: 129,765
09/01/06	45,529	: 132,188
CHANGE	-4,264	: -2,423
% CHANGE	-9	: -2

## WEST

Cash block cheese prices at the CME had declined more than a dime in consecutive trading sessions through the middle of last week. Since that time, prices had regained 4 3/4 cents to stand at \$1.2875 on Monday of this week. On Wednesday, prices again faltered, closing on the day at \$1.27. This seems to be a continuation of the gyrating pattern that has been evident recently. Current blocks are available from the West, but barrels are in a tighter position. Milk supplies in the region are somewhat mixed for cheese production. Most areas have good supplies of milk. Other areas, that are supplying heavy volumes of milk for the fluid trade, are seeing cheese production curtailed. Sales of mozzarella are improving seasonally as schools reopen for the fall term. Swiss sales are good for this time of the year. Quota imports of total cheese for the first eight months of the year have reached 157.3 million pounds, 12% behind the same period last year. Imports stand at 53% of the annual quota. Imports of High-Tier cheese (above the quota and with a penalty) for the eight month period total 21.2 million pounds, up 31% from the same period in 2005. Swiss quota imports are 37.4 million pounds, about 15% behind last year and 49% of the annual quota. The top two origin countries for Swiss cheese are Finland and Norway.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4125-1.6700
Cheddar 40# Block	:	1.3825-1.7350
Cheddar 10# Cuts	:	1.5625-1.7875
Monterey Jack 10#	:	1.5725-1.7325
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

## FOREIGN

Prices are lower on domestic and steady on imported. Cooler temperatures are leading toward the usual fall shift in demand to varieties traditionally used in preparing cooked meals. Current offerings are at least adequate. August 2006 total cheese imports totals 8,776,007 Kg., down 886,444 Kg. (-9.2%) from August 2005. Total cheese imports for the period of January - August 2006 totals 71,386,367 Kg., down 9,936,741 Kg. (-12.2%) from the same period in 2005. However, imports OF high-tier cheese varieties during the period of January through August totals 9,611,792 Kg., up 2,271,133 Kg. (30.9%) from the same period in 2005.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	NEW YORK	
VARIETY	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.4800	: 1.6675-3.1550*
Gorgonzola	: 3.6900-5.9900	: 2.1700-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0750-3.1800*
Romano (Italy)	: 2.1000-3.2900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.6600-1.8975*
Romano (Cows Milk)	: -0-	: 2.8575-5.0000*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: TFEWR	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	195	0	221	0	181	0
SOUTHEAST STATES	124	0	124	0	91	0

The milk supply situation is little changed from recent weeks. In most instances, milk handlers state that demand continues to outpace availability and milk supplies are tight. One Eastern milk handler stated that they are squeezing every drop of milk out of the pipelines and that milk supplies are tighter than tight, leaving very few options other than going without. Most milk handlers indicate that milk volumes are increasing, although strong demand quickly absorbs available volumes. August milk production in the 23 major States totaled 13.9 billion pounds, 1.6% higher than last August but 0.5% lower than July. The following are the August to August percentage changes for various states: FL -1.8, KY -9.2, NY -0.3, PA -1.1, VT -4.1, and VA -2.1. Currently, milk volumes are short of full manufacturing needs with drying schedules very limited. Milk handlers state that good Class I demand and committed milk volumes for shipment into the Southeast are limiting offerings in Middle Atlantic and Northeastern regions. Imports continue to clear to the Southeast, but Florida needs are edging lower. Some milk handlers in Florida indicate that production is increasing while others are not seeing much change. Lower milk imports are being attributed to a combination of factors ranging from slightly higher production locally, weekend milk carryovers, to bottling demand that is balanced with no significant strength in sales. This week, 195 loads of milk were shipped into Florida. This compares to 221 last week, 265 loads two weeks ago, and 287 loads a month ago. Condensed skim demand is very strong and prices are increasing. This strong demand is limiting drying schedules and many driers have not operated in days, and for most, greatly reduced schedules when compared to last year at this time. Many producers and handlers do not foresee much change in the current supply situation until Thanksgiving with some stating not until 2007. Cream markets are less hectic. Supplies are reported to be more available and pricing multiples continue to edge lower. Class II demand is lower, especially for ice cream needs, although for some other cream based products such as cream cheese, demand is increasing. Some butter churns that have been idle in recent weeks are gearing back up for limited runs. As has been the case for much of the past 6 – 8 weeks, unsalted butter continues to be the product of production with microfixing of inventoried stock occurring for salted needs.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7135-1.8050
DELIVERED EQUIVALENT: ATLANTA	-	1.8312-1.8966 M 1.8704-1.8835
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6612-1.8312

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:

NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9567 - .9867
NORTHEAST - CLASS III - SPOT PRICES	- .9289 - .9589

## M I D W E S T

Class I is generally having another solid sales week though lighter in markets where retailers ran promotions in recent weeks. Overall milk supplies remain tight seasonally and tightest around midweek. Manufacturing milk demand was steady to occasionally improved. On a light test, reported spot manufacturing milk prices ranged from around \$2.00 – 3.00 over class, net fob. At least one plant operator has chosen to sell additional milk to bottlers rather than make cheese due to better returns. Milk supplies remain tight seasonally throughout the region. Class II and III condensed skim interest is good for producers trying to replace limited NDM supplies. Cream offerings continue to increase with increased volumes headed to churns or cream cheese accounts as ice cream production slows seasonally. Fresh churned butter is being printed along with tempered frozen stocks for the generally good seasonal butter orders. Weather conditions have cooled off to the point of early frost warnings, at least for low-lying ground in northern states around midweek. While the shell corn harvest is underway in central parts of the region such as Illinois, silage is still being made in northern tier states. Cattle prices sold at a Wisconsin dairy sale compared to a month ago are unevenly steady to occasionally higher. Approved quality fresh milking cows sold for \$1800 – 2050.00 per head and medium quality

at \$1400.00 – 1800.00. Approved quality springing heifers sold for \$1850.00 – 1900.00 and medium quality \$1375.00 – 1850.00 per head. Estimated milk production in selected Midwestern states for August compared with August 2005 is: Wisconsin, 1.953 billion pounds, down 18 million pounds (-0.9%); Minnesota, 686 million pounds, up 6 million pounds (0.9%); Michigan, 584 million pounds, an increase of 9 million pounds (1.6%); Texas, 558 million pounds, up 38 million pounds (7.3%); Iowa, 329 million pounds, off 12 million pounds (-3.5%); and Indiana, 268 million pounds, up 7 million pounds (2.7%).

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS	\$ 44.00- 52.00	\$ 49.00- 55.00
REPLACEMENT HEIFER CALVES	\$400.00-650.00	\$400.00-760.00

## \*\*SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)\*\*

	SEP 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS**	\$ 45.00- 55.00	\$ 48.00- 56.00

\*\*\*THIS REPORT WILL BE DISCONTINUED ON OCTOBER 1, 2006 DUE TO THE CLOSING OF THE SO. ST. PAUL MARKET NEWS OFFICE.\*\*

## W E S T

August milk production for the 23-states totals 13.86 billion pounds, up 1.6% from last year. Production per cow rebounded slightly from the depressed levels surveyed in July. Cow numbers in these surveyed states have now declined for two consecutive months. They were off 10,000 head from June to July and another 9,000 head from July to August. Looking at August output for the seven Western states compared to last year: Arizona +0.4%, California +4.1%, Colorado +7.7%, Idaho +6.8%, New Mexico +6.6%, Oregon -3.6%, and Washington -4.1%. The real noteworthy change is for California. They went from a decline of 0.2% in July to an increase of 4.1% in August. Cow numbers increased in five of the seven states compared to last year with only Oregon and Washington not showing an increase. Production per cow increased in three of the seven states. The largest increase was 3.6% in California and the largest decline was noted in Oregon with a decrease on 3.7%. CALIFORNIA milk output is mainly steady across the major milk producing areas of the state. Weather conditions have been favorable for cow comfort and the feed situation is adequate for current needs. There is a good call for milk from most processing avenues. Bottlers are seeing good demand and pulling additional milk. Cheese producers are asking for more milk to keep up with current demand for cheese. Less milk than projected is entering nonfat dry milk plants. ARIZONA milk production is described as flat. There is nothing that is affecting output at this time. Temperatures have been seasonally moderate. There are reports of increased cow culling. Surplus milk offers are irregular to local processors. Class I demand is very good currently. High fuel surcharges and limited tanker availability also limit milk and component movements. NEW MEXICO milk trends continue at steady to slightly higher levels. Milk is moving to plants within the state and to other contracts as planned. Bottled milk demand is fair to good, cheese producers want additional milk, and balancing plants are getting very little milk. CREAM prices are steady to lower and reflecting a slightly reduced demand from higher class products. Movements to ice cream accounts have slowed, but are still occurring. More cream is moving to cream cheese, sour cream and dip production. Fat tests of incoming milk have been reported as steady. The CME butter price continues to fluctuate and closed at \$1.3100 on Wednesday, September 20, a decline of 0.5 cents from the previous Wednesday close. Multiples for cream moved lower on the bottom of the range of 110 to 125, FOB, and vary depending on class usage and basing points. Some much needed moisture has been falling in the PACIFIC NORTHWEST. Many producers are done with the corn silage harvest and their last cutting of hay so the timing is good. The quality of the corn silage appears to be very good, which should help with ration balancing this winter. Many producers now think that they will not be able to find much additional dairy hay so that they will have to make do with what they have. Pastures are being revitalized by the moisture, even though there is really not that much feed value for the milking herds at this time of year. Plants in the region are efficiently handling the available milk supplies. Most are stating that they are getting what they need. Scattered frost and snow at higher elevations are noted in parts of UTAH and IDAHO. The corn silage harvest is moving more rapidly and the final cutting of hay is just about finished up. Hay prices are firm in the region with indications that sales are \$5-10 higher and demand is very strong. Some milk is moving around the region to balance supplies at various operations. Fat and protein tests are not quite at expected levels. Heifer prices at a major sale in the region have averaged about \$1835 for the last four weeks. Prices have not been this high for an extended period since June.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged to higher. The market tone is firm. Production is steady to higher in response to increases in milk volumes at some locations. Spot availability is improved at some locations as plants cater to buyers willing to pay premium prices. Some distributors that are being shorted on their contractual deals are resisting making purchases on a spot basis and opting instead to lose business on deals involving NDM. Demand for high heat is particularly strong, encouraging plants to offer near the high end of the range. Trade activity is best in the resale market where supplies are also reportedly tight.

EAST: Prices are unchanged to higher on a firm market. Supplies of NDM are tightest in the East as production has ceased at many locations. Although milk volumes are increasing in the region, milk intakes at NDM facilities are not significantly affected. With increased end-user interest in condensed skim and increased production of high heat instead of low heat NDM at some plants, handlers anticipate low heat NDM supplies to be short of buyer interest for at least the next month. Spot availability is very limited with a few loads being reported in the resale market as high as \$1.3000 delivered. Contractual deals that use the NASS price as a basis are reflectively lower. The NASS price released September 15th for the week ending September 9th was \$0.8507, \$0.0002 lower than the previous week.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8700 - 1.2000 MOSTLY: .9125 - 1.1000  
 HIGHHEAT: .9050 - 1.3000

**NONFAT DRY MILK - WEST**

Western price moved higher within the range of the low/medium heat NDM series. The top end of the mostly range reflects the firming trend of spot sales. Producers remain between the proverbial rock and a hard place. On the production side, they are not getting milk supplies to make NDM. In areas where milk output is increasing, milk is not necessarily ending up at the dryers. Handlers are selling milk or utilizing more milk internally and selling condensed skim or utilizing more condensed skim internally. Additionally, any NDM used internally by processors is not available for marketing. On the marketing side, most producers are unable to test the spot market if they are behind on servicing current and past accounts. They don't want to short customers and sell on the spot market. Buyers of NDM continue to look for product in resale channels, where prices remain above the top end of the range. High heat prices moved higher in light trading. The market tone is firm, although not tested. Several producers are quoting spot low heat prices at levels above high heat, which historically has not happened.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8400 - 1.0000 MOSTLY: .8575 - 1.0000  
 HIGHHEAT: .8875 - .9500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 15	\$.8407	10,391,490	0
September 8	\$.8374	10,698,399	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices and the market tone are mixed. Whereas stocks at some locations remain fairly tight, other locations are showing a few extra loads to clear near the lower end of the range. More cream is reportedly available to churns, resulting in more condensed buttermilk. Ice cream demand for condensed buttermilk is steady to lower, resulting in some increased movement of condensed buttermilk to driers. Production of dry buttermilk is therefore steady to higher for the light to fair interest.

F.O.B. CENTRAL: .9600 - 1.1100

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are higher and nominal on a firm market. Supplies remain tight and short of buyer interest. Most movement is contractual with nearly no availability on a spot basis. Production is steady to higher as more cream filters into churns. Producers indicate that significant supply increases are not anticipated for at least a month.

F.O.B. NORTHEAST: .9425 - .9700  
 DELVD SOUTHEAST: .9625 - .9900

**DRY BUTTERMILK - WEST**

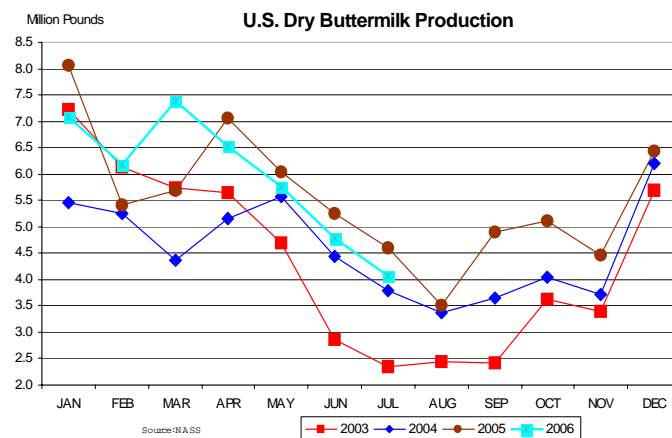
The Western dry buttermilk prices moved slightly higher. The market tone remains firm. Buyer interest is fair for current offerings. Increases in churning levels at some locations have led to increases in drying operations. Producer stocks remain light as most supplies move toward contract orders. Spot offerings are limited, and demand is light to moderate.

F.O.B. WEST: .8800 - .9200 MOSTLY: .8800 - .8900

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices moved higher on the top end of the range and are reflective of higher prices paid for nonfat dry milk and milk solids. The fat value of whole milk has fluctuated in recent weeks. Demand has improved with interest from confectionary accounts noted in the marketplace. Concerns remain about the limited amount of production taking place and not being able to meet all orders. Producers' inventories are mainly on the light side.

F.O.B. PRODUCING PLANT: 1.1800 - 1.3800



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY – CENTRAL**

Prices are higher on a firm market. Spot sales direct from the manufacturer are very light. Some buyers report that they can only obtain whey from resellers or off of their current contracts. Most buyers report that they are surprised by the significant price increases, but producers expect higher prices in light of current shortages. Production is mixed due to milk production increases at some locations and shortages at other locations. Producer supply increases are generally used to satisfy contractual shortages. Resale prices are reported at premiums of 4-5 cents. Off grade supplies are very limited with producers catering more to edible users that can accommodate off grade supplies than to feed users.

F.O.B. CENTRAL: .3525 - .3925 MOSTLY: .3575 - .3675  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3150 - .3525

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are higher and nominal on a firm market. Most movement is noted on a contractual basis. Supplies are generally short of buyer interest with some brokers and end-users being shorted on their contractual loads. As a result, some users are seeking additional supplies from the Central region where supplies are also tight. Supplies of condensed whey are tight for the good interest.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3475 - .3675  
DELVD SOUTHEAST: .3675 - .3875

**DRY WHEY – WEST**

Prices continue to increase more rapidly for Western whey powder. Sellers state that they are unable to meet most of the new interest that is developing both domestically and into the export markets. Exporters have to come to the U.S. to try and secure supplies and they are only partially successful. The problem involves not only whey being tight, but also other dairy products, so that buyers are attempting to look at an array of substitutes. Dry whey production is generally steady to lighter as some manufacturing plants are not getting all the milk that they had anticipated. Sellers are stating that they are beginning to fall behind on some of their scheduled deliveries.

NONHYGROSCOPIC: .2850 - .3700 MOSTLY: .3300 - .3400

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Production is steady to higher as plants continue to rebound from milk shortages during the last few months. Offerings of condensed whey are noted into some WPC/lactose facilities for the fair interest. Offering prices from U.S. and Canadian producers are noted at a premium. Canadian supplies are competitive with U.S. WPC 34% for domestic demand. Current alterations in production capacities at some locations are expected to reduce supply availability in fourth quarter and beyond. Some contractual deals for the fourth quarter are noted above the range. Offerings of multiple loads of WPC 34% via resellers are noted into some feed facilities. Supplies of off grade WPC are available with producers expecting higher prices than buyers are currently willing to pay. As a result, some dairy veal producers are reverting back to producing dairy beef to avert some of the extra costs of higher priced whey proteins.

F.O.B. EXTRA GRADE 34% PROTEIN: .6550 - .7150 MOSTLY: .6650 - .6850

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Contractual deals continue to be finalized for fourth quarter. While some contracts are negotiated on prices reported for the previous quarter, most deals are being negotiated off of the current market and trending higher. Most plants are expecting to contract less during fourth quarter due to supply constraints. Buyers that are being shorted on contract deals are bidding significantly higher in an attempt to secure supplies. Spot sales have nearly ceased as sellers and buyers focus on contracts. Negotiations for annual 2007 contracts are expected to commence soon after fourth quarter deals are settled. Off grade sales are noted within the range to mostly food buyers willing to reprocess or adjust their formulations to accommodate their needs.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2775 - .4500 MOSTLY: .3200 - .4000

**CASEIN – NATIONAL**

Casein markets are steady at unchanged prices, although the market undertone is firm. Firmness in future markets is being attributed to the uncertainty of supply availability. European production is lower as some operations ceased production totally during the most recent season and for some of those still in operation, they have ceased seasonal production well ahead of previous years and milk is clearing to other manufactured dairy product. Milk production in Oceania is just getting underway, thus milk and casein production projections are still being developed. Some Oceania casein producers are closely looking at the economics of casein output in comparison to other dairy products that might realize better and quicker returns. Domestic buyers continue to question suppliers about future availability and price. Some suppliers indicate that they foresee firm prices, especially in the new year.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

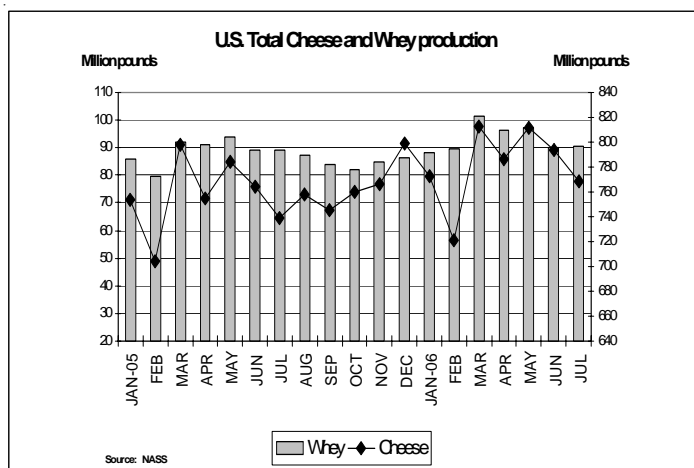
RENNET: 2.9500 - 3.0000  
ACID: 3.0000 - 3.0500

**EVAPORATED MILK - NATIONAL**

Prices are unchanged. Production is steady yet occasionally affected by milk supplies that are not adequately available in some areas. Demand is primarily based on contracts.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 18 - 22, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 09/15/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 18 - 22, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	15.9	746.8	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - SEPT. 22, 2006 =	15.9	746.8	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 18 - 22, 2006 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	1,364,259	1,331,567	13.4	4.2
WEST	-0-	-0-	-0-	-0-	60,223,255	29,415,099	83.3	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	3.3	3.4
TOTAL	-0-	-0-	198,000	-0-	63,991,990	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/02/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2006-Dairy	N.A.	0.5	7.4	2.7	17.7	2.9	0.2	N.A.	15.4	1.7	49.7	1,547.4	44.6	44.2
2005-Dairy	N.A.	0.7	6.1	2.7	13.6	2.9	0.5	N.A.	14.4	1.5	43.3	1,516.2	48.4	47.3
2006-All cows	N.A.	0.5	9.3	13.8	29.8	20.4	13.3	N.A.	18.4	2.5	111.4	3,500.2		
2005-All cows	N.A.	0.7	7.6	11.8	26.0	13.6	8.7	N.A.	16.5	2.1	89.5	3,203.5		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75	11.34	10.97	10.85	12.42		
II	13.25	12.62	11.69	11.37	11.13	11.00	10.83	11.16				
III	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06				
IV	12.20	11.10	10.68	10.36	10.33	10.22	10.21	10.64				

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfm05/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm)

## AUGUST MILK PRODUCTION

Milk production in the 23 major States during August totaled 13.9 billion pounds, up 1.6 percent from August 2005. July revised production, at 13.9 billion pounds, was up 1.5 percent from July 2005. The July revision represented an increase of 6 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,680 pounds for August, 9 pounds above August 2005.

The number of cows on farms in the 23 major States was 8.25 million head, 88,000 head more than August 2005, but 9,000 head less than July 2006.

## AUGUST 2006 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2005	2006	2005	2006	2005	2006	% CHANGE FROM 2005
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	161	167	1,770	1,715	285	286	0.4
CA	1,759	1,768	1,795	1,860	3,157	3,288	4.1
CO	105	112	1,970	1,990	207	223	7.7
FL	135	130	1,230	1,255	166	163	-1.8
ID	468	495	1,940	1,960	908	970	6.8
IL	104	103	1,515	1,550	158	160	1.3
IN	157	165	1,660	1,625	261	268	2.7
IA	196	200	1,740	1,645	341	329	-3.5
KS	112	113	1,690	1,730	189	195	3.2
KY	106	97	1,030	1,020	109	99	-9.2
MI	314	319	1,830	1,830	575	584	1.6
MN	450	450	1,510	1,525	680	686	0.9
MO	115	115	1,300	1,185	150	136	-9.3
NM	331	362	1,825	1,780	604	644	6.6
NY	647	643	1,600	1,605	1,035	1,032	-0.3
OH	270	274	1,460	1,480	394	406	3.0
OR	121	121	1,630	1,570	197	190	-3.6
PA	562	554	1,575	1,580	885	875	-1.1
TX	320	337	1,625	1,655	520	558	7.3
VT	143	141	1,550	1,510	222	213	-4.1
VA	105	103	1,360	1,360	143	140	-2.1
WA	245	237	1,970	1,955	483	463	-4.1
WI	1,236	1,244	1,595	1,570	1,971	1,953	-0.9
23 STATE TOTAL	8,162	8,250	1,671	1,680	13,640	13,861	1.6

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

**SOURCE:** "Milk Production," Da 1-1 (9-06), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.



## THE DAIRY OUTLOOK

### Prices in Dairy Complex Trend Higher This Summer and Into the Fall

Much of the effect of July's exceptionally hot weather was felt in California and several other States. Nationally, the impact was limited. The July NASS *Milk Production* report placed that month's production in the 23 major production States at 1,686 pounds per cow, 3 pounds above a year earlier, suggesting that productivity continues to inch ahead. Cow numbers were 107,000 above July 2005 but 11,000 below June's reported number.

As a result, USDA is forecasting 2006 milk production at 182.0 billion pounds, 2.8 percent ahead of 2005 production. The 2007 forecast for milk production is 183.2 billion pounds. In 2007, cow numbers will finally dip below year-earlier levels but milk per cow will continue to rise, boosting production per animal to an average 20,285 pounds.

July cheese production declined seasonally but remained above year-earlier levels. Year-to-date cheese production is 3.2 percent ahead of 2005. Cheese inventories, especially of other than American cheese, are high compared with year-earlier levels. However, continued strong demand for cheese is expected to absorb the added production and draw down stocks. Strong cheese and fluid milk demand along with the residual effects of July's hot weather have contributed to modest price increases since early July. The cheese price is expected to climb further into fall. The 2006 cheese price is expected to average \$1.230-\$1.250 per pound.

The August *Cold Storage* report placed July 31st butter stocks 30 percent above year-earlier levels, and butter prices have been below year-earlier and the 5-year average price. However, in August, butter prices rose to \$1.199 per pound from \$1.134 a month earlier. For the year, prices are expected to average \$1.205-1.245 per pound.

Prices for dry products rose slightly in August. The heat-reduced milk supplies adversely affected Nonfat Dry Milk (NDM) production more than other products because much of the production is on the West Coast. With rising foreign demand and strong ingredient demand, fall quarter prices are expected to average above summer prices. The 2006 average NDM price is expected to be 85.0-87.0 cents per pound. Projected dry whey prices for 2006 are unchanged from the August report at 29.5-31.5 cents per pound.

The all milk price and Class III and IV prices are forecast to increase slightly into the fall months. Fluid milk sales for the first half of 2006 have increased year-over-year for the first time since 2003 according to Agricultural Marketing Service published Federal Order and California data. Continued fluid milk sales could support the all milk price for the remainder of the year. The 2006 all milk price is projected to be \$12.65-\$12.85 per cwt. The yearly Class III price is expected to be \$11.60-\$11.80 per cwt and the Class IV price, likewise, will average \$10.70-\$11.00 per cwt. These revised projections represent slight increases from August estimates for all milk and Class III yearly prices. Forecasts for 2007 remain unchanged.

**SOURCE:** "Livestock, Dairy, and Poultry Outlook", LDP-M-147, September 18, 2006, Economic Research Service, USDA. For more information, contact Roger Hoskin, (202) 694-5148.

## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	JULY 31, 2004	JULY 31, 2005	REVISED JULY 31, 2006	AUG 31, 2004	AUG 31, 2005	AUG 31, 2006
Butter	193,520	176,666	228,395	161,025	148,878	184,506
Cheese, Natural American	615,904	603,471	603,592	568,783	582,015	577,327
Cheese, Swiss	28,012	22,483	34,177	26,759	21,847	30,674
Cheese, Other Natural	226,086	211,227	254,876	215,979	209,065	243,118
Total Cheese	870,002	837,181	892,645	811,521	812,927	851,119

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	136	113	97	35	55	94
Natural American Cheese	7,077	546	100	7,076	943	272

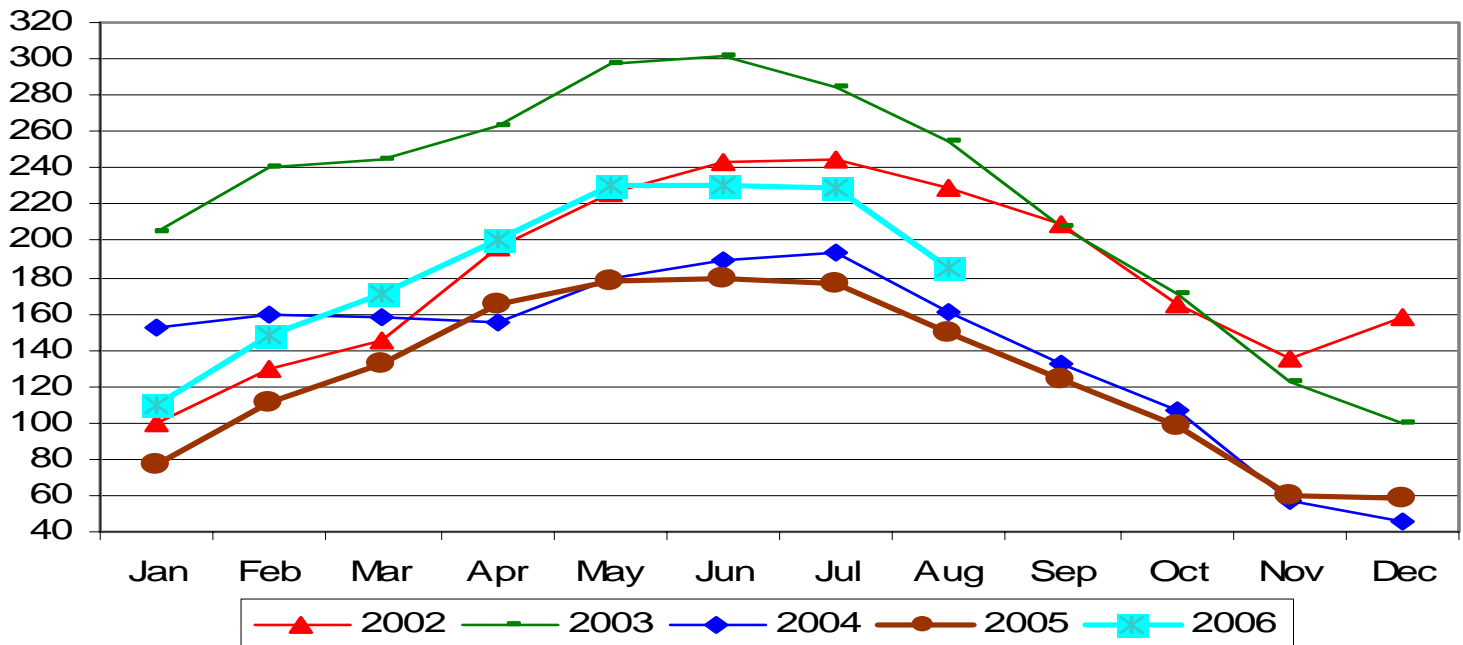
## AUGUST STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
New England	25,121	33,259	36,992	---	---	---	318	41	39
Middle Atlantic	61,148	56,720	51,816	---	---	---	19,801	13,073	13,086
East North Central	222,462	233,870	230,280	---	---	---	120,901	122,015	147,873
West North Central	126,442	122,054	119,118	---	---	---	55,228	55,196	62,061
South Atlantic	4,198	7,206	5,172	---	---	---	108	136	117
East South Central	45	124	227	---	---	---	2,448	2,556	2,981
West South Central	4,563	6,412	4,306	---	---	---	158	46	729
Mountain	30,326	36,665	43,376	---	---	---	5,267	2,866	4,338
Pacific	94,478	85,705	86,040	---	---	---	11,750	13,136	11,894
TOTAL	568,783	582,015	577,327	161,025	148,878	184,506	215,979	209,065	243,118

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

Million Pounds

## Butter Cold Storage Holdings



## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2005 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	Million Pounds						Million Pounds						Million Pounds					
January	110	77	110	77	<u>3/</u>	<u>3/</u>	533	484	533	480	<u>3/</u>	4	179	440	114	83	65	357
February	149	111	148	111	<u>3/</u>	<u>3/</u>	549	505	548	502	<u>3/</u>	3	175	374	119	79	55	296
March	170	132	170	132	<u>3/</u>	<u>3/</u>	564	527	564	526	<u>3/</u>	2	156	321	127	84	30	236
April	200	165	200	164	<u>3/</u>	<u>3/</u>	574	554	574	552	<u>3/</u>	2	176	276	155	108	21	168
May	230	178	230	178	<u>3/</u>	<u>3/</u>	591	583	591	582	<u>3/</u>	1	165	259	145	113	20	147
June	230	180	230	179	<u>3/</u>	<u>3/</u>	598	590	598	590	<u>3/</u>	<u>3/</u>	149	NA	111	116	38	NA
July	228	177	228	177	<u>3/</u>	<u>3/</u>	604	603	603	603	<u>3/</u>	1	137	235	84	120	53	116
August	185	149	184	149	<u>3/</u>	<u>3/</u>	577	582	577	581	<u>3/</u>	1		177		110		67
September		124		124		<u>3/</u>		555		554		1		182		95		87
October		98		98		<u>3/</u>		542		541		1		163		89		74
November		60		60		<u>3/</u>		517		516		1		159		89		70
December		59		59		<u>3/</u>		537		537		<u>3/</u>		183		114		69

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jul 31, 2004	Jul 31, 2005	Jul 31, 2006	Aug 31, 2004	Aug 31, 2005	Aug 31, 2006
	Thousand Pounds					
Butter	193,384	176,553	228,298	160,990	148,823	184,412
Natural American Cheese	608,827	602,925	603,492	561,707	581,072	577,055

1/ Total holdings minus Government owned holdings. For more information, see page 10 of this report.

**SOURCE:** "Cold Storage," Co St 1 (8-06) and "Dairy Products," Da 2-6 (8-06), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, AUGUST

**HIGHLIGHTS.** Handler reports of receipts and utilization under the Federal milk order system for August have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During August, about 10.1 billion pounds of milk were received from producers. This volume of milk is 0.6 percent higher than the August 2005 volume. About 3.9 billion pounds of producer milk were used in Class I products, 2.2 percent higher than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2006 as compared to 2005. The all-market average Class utilization percentages were; Class I = 38%, Class II = 14%, Class III = 41%, and Class IV = 7%. The weighted average statistical uniform price was \$12.27 per cwt., \$0.20 higher than last month and \$2.89 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF AUGUST 2006										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,810.0	-11.2	883.2	-0.4	49	23	23	5	13.06
Appalachian (Charlotte)	005	480.5	-2.1	356.7	1.7	74	15	4	7	13.51
Southeast (Atlanta)	007	634.3	4.2	422.6	4.1	67	12	16	5	13.39
Florida (Tampa)	006	243.5	-2.3	215.0	-1.5	89	8	<u>3/</u>	3	14.65
Midwest (Cleveland)	033	1,360.2	-4.0	557.2	0.2	41	20	34	5	11.98
Upper Midwest (Chicago)	030	2,418.5	11.3	388.5	1.9	16	7	76	1	11.43
Central (Kansas City)	032	1,184.0	-10.2	373.7	-0.8	31	14	46	9	11.74
Southwest (Dallas)	126 <u>4/</u>	938.8	14.4	368.4	2.2	39	15	40	6	12.66
Arizona (Phoenix)	131 <u>5/</u>	260.4	17.9	119.6	44.5	46	9	35	10	12.15
Pacific Northwest (Seattle)	124	725.5	10.2	189.4	10.7	26	7	33	34	11.48
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>4/</u>	10,055.6	0.6	3,874.4	2.2	38	14	41	7	12.27

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

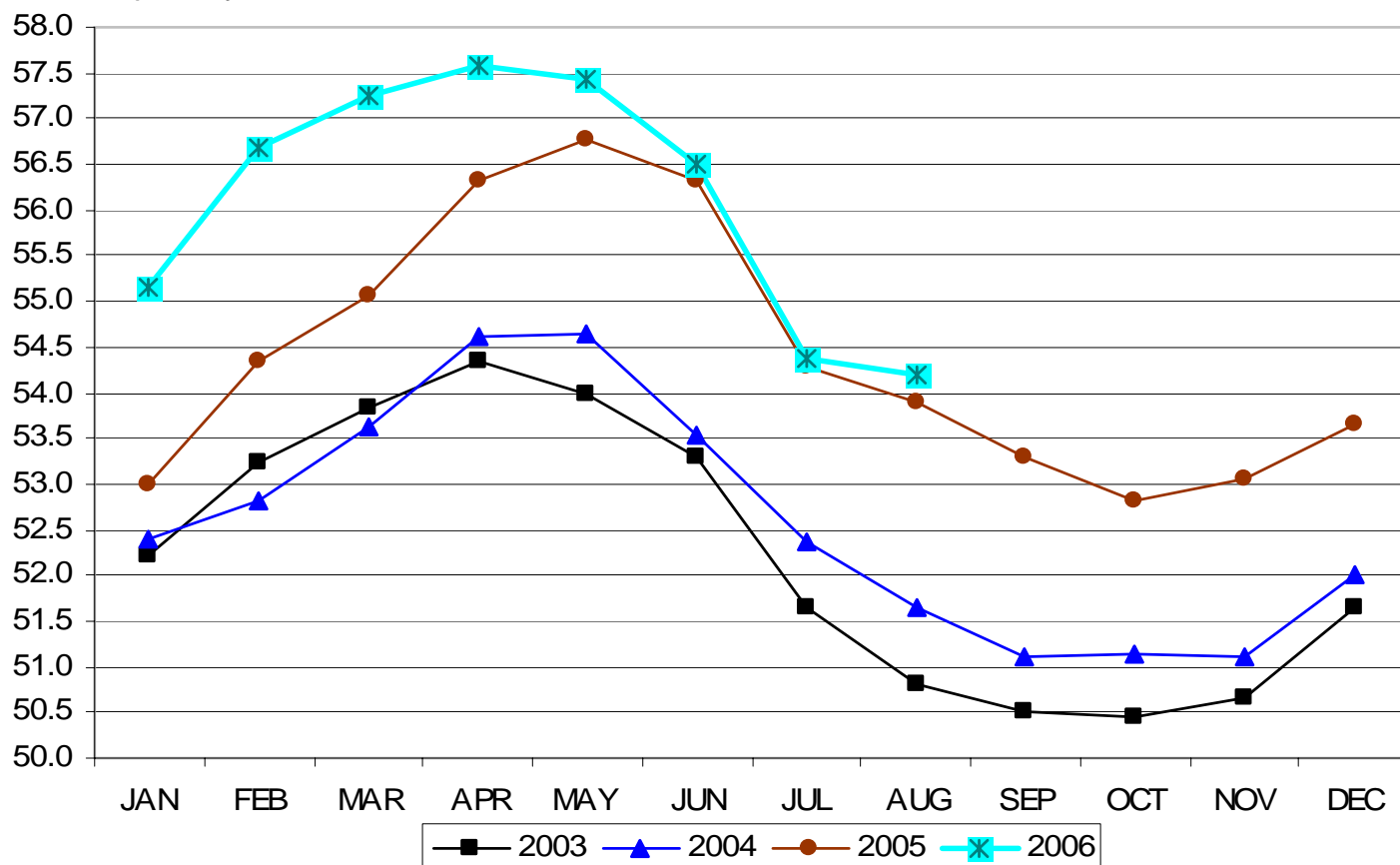
3/ Less than 0.5 percent

4/ Due to a disadvantage relationship between intraorder class prices and the location adjusted statistical uniform (blend ) price in this market, handlers elected not to pool an administratively confidential volume of milk that normally would have been associated with this market. In August 2005, the estimated not pooled volume of milk was 20 million pounds, occurring in Order No. 030. After adjusting for these not pooled volumes, the year to year percent change is +0.4%.

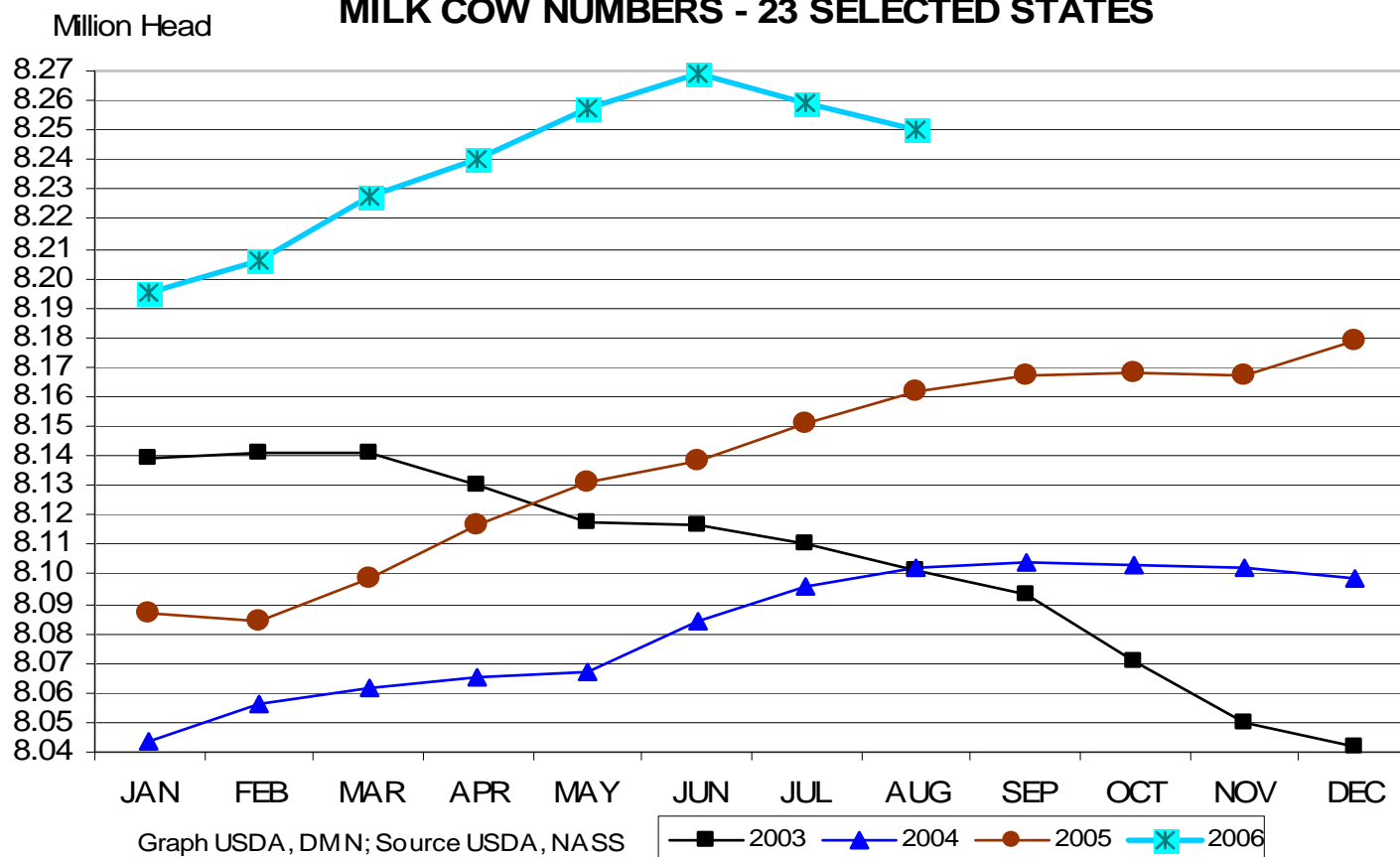
5/ Effective May 1, 2006, the name of the Federal order was changed. Clark County, Nevada, which includes Las Vegas, was removed from the marketing area.

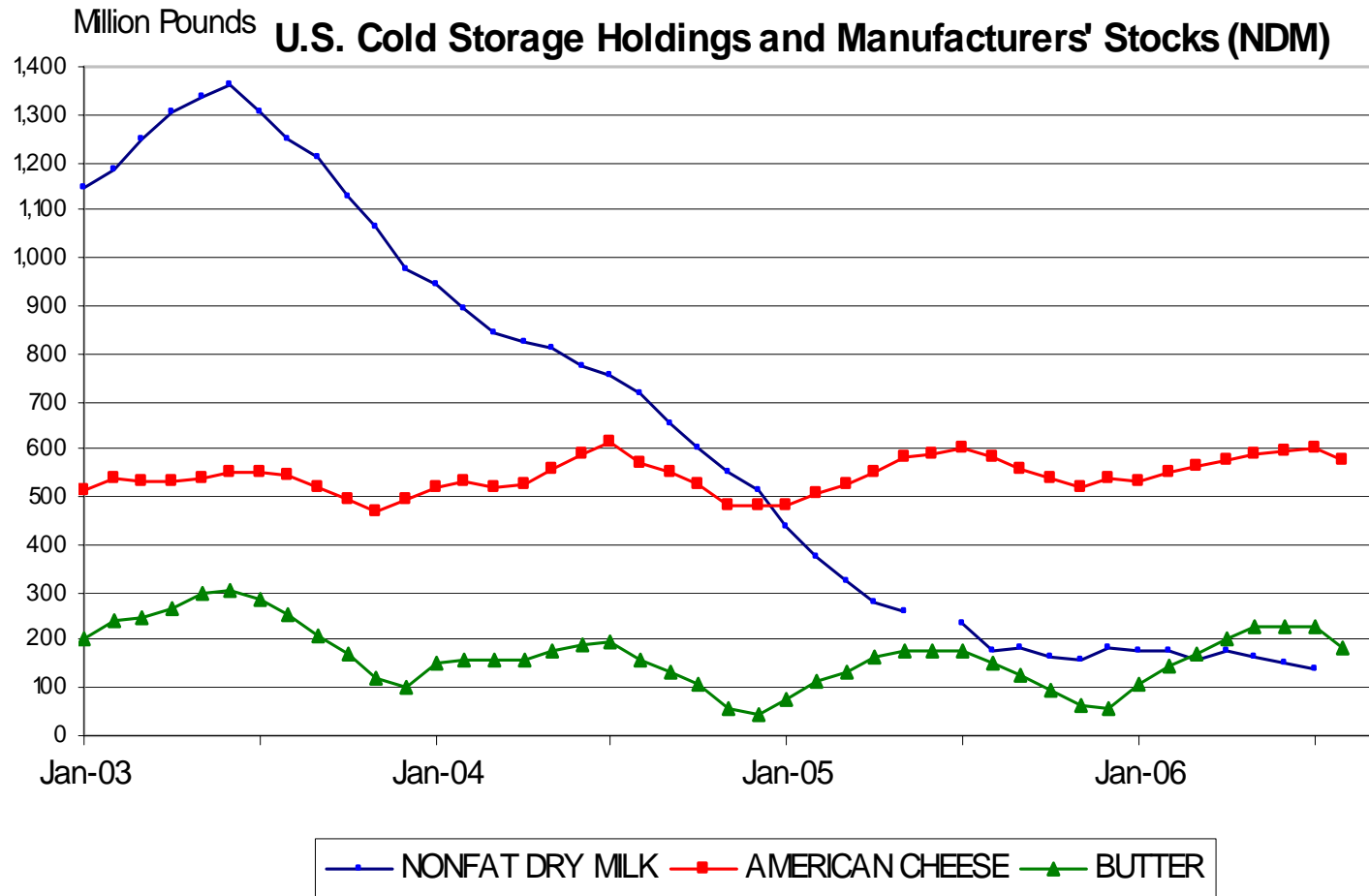
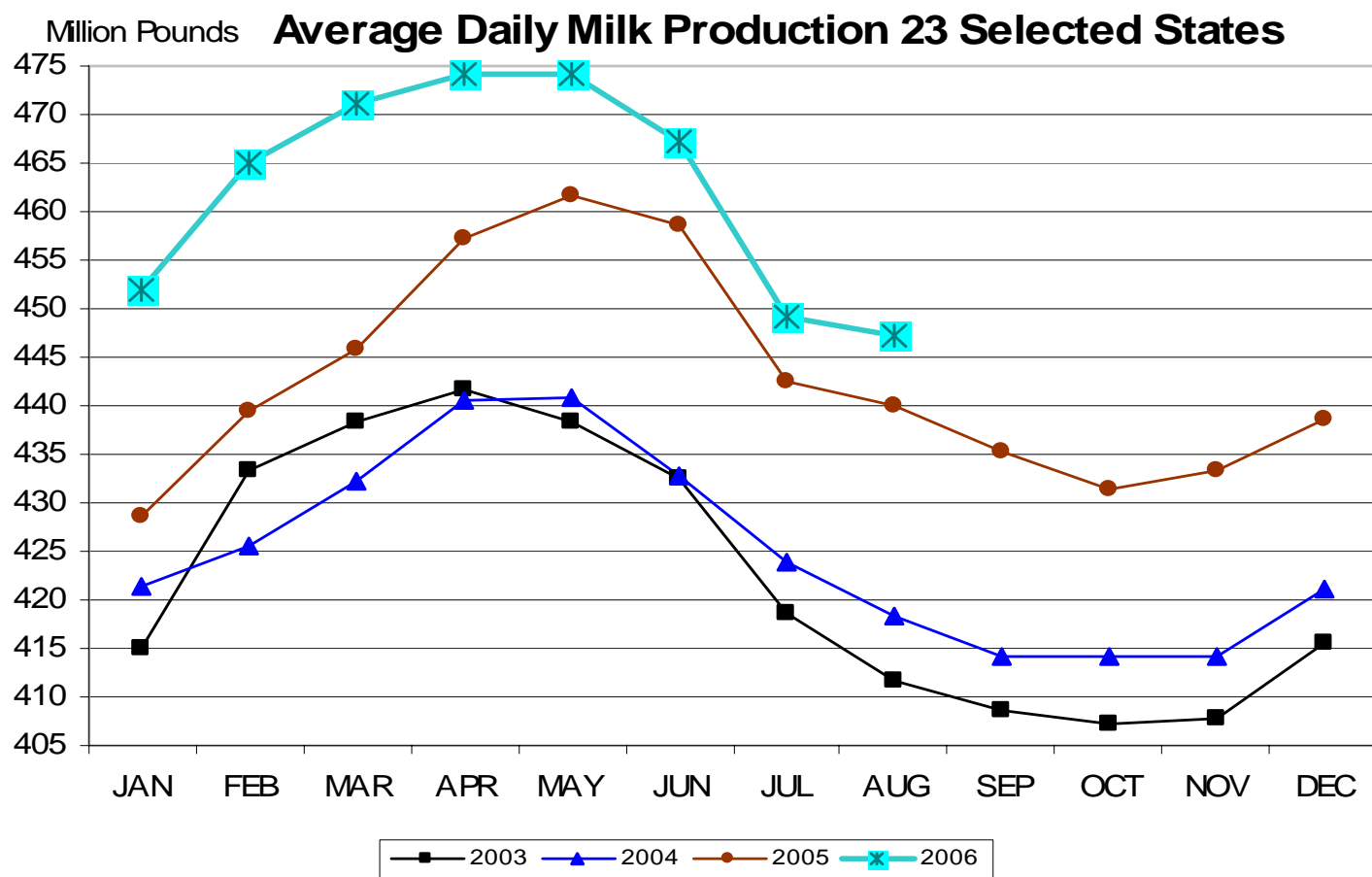


### Pounds per Day 23 STATES DAILY AVERAGE MILK OUTPUT PER COW



### MILK COW NUMBERS - 23 SELECTED STATES





# DAIRY MARKET NEWS

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U.S. DEPARTMENT OF AGRICULTURE - AGRICULTURAL MARKETING SERVICE - DAIRY PROGRAMS

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